



HUSKY

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Annual Report 2000
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HUSKY
*Injection Holding
Systems*

Company Profile

Husky provides equipment and services to the global plastics injection molding industry. Of the more than \$20 billion equipment market, Husky's addressable market - the portion into which Husky sells - is \$8 billion. This market has grown 5% per annum over the last decade and this trend is expected to continue.

Our customers produce a wide range of plastic parts, such as bottles for mineral water and soft drinks, food containers, automotive components, and housings for electronic equipment such as cell phones and laptop computers.

Worldwide, Husky has more than 40 offices supporting customers in over 100 countries. Equipment is manufactured on three campuses - in Canada, the United States, and Europe. In Fiscal 2000, sales exceeded US \$710 million and the company employed over 3 000 people.



The Hot Runner business on our Milton, Vermont campus.



The Bolton, Ontario campus is home to our Index Systems business.

President's Message

Fiscal 2000 was another transition year as we continued to transform Husky from a niche player in the packaging industry to one of the world's leading suppliers of injection molding equipment. This program, which we started three years ago, has meant massive change in almost every area of our company. It includes:

- Rolling out a completely new product line that spearheads an aggressive entry into general purpose markets.
- Advancing our leadership position in the PET packaging market through further innovation.
- Investing in manufacturing operations to reduce cost and achieve price competitiveness across all our product lines.
- Building our global Service and Sales organization and developing relationships with customers in new markets.

Over the years, we have learned that implementing change of this magnitude is not always straightforward and smooth:

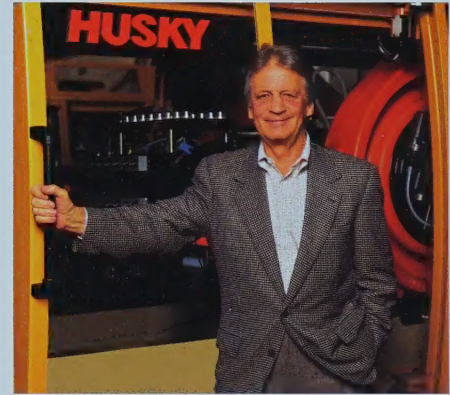
- The start-up of our new manufacturing operations took longer than expected. However, by the end of the year, financial results from new facilities have improved and this trend should continue.
- Our large tonnage machine business had to overcome market concerns about the closing of the

Pittsfield operation, as well as a number of service issues. Resolving these service issues has led to a better design of our large tonnage machines. We are also well on our way to expanding our Luxembourg facility to support an aggressive global strategy, while providing North American customer support through our new Technical Center in Detroit.

- The weaker European currency depressed selling prices as European machine builders, who are key competitors, gained a pricing advantage.

Overall, however, I am very encouraged by the progress we have made this year. We are seeing clear signs of improvement as our vision for the company is starting to take shape:

- Husky's new line of general purpose S Machines has been very well accepted in the market. Based on a proprietary, patented design, these new machines are simpler and, therefore, less expensive to build; they run faster than competitive machines; and they often perform at the same level as competitors' larger machines. A manufacturer of medical devices submitted our machines to a rigorous performance test against models made by other suppliers. Our machines won "hands down." Other customers have already placed repeat orders shortly after ordering



Robert Schad

their first machine. With the first two models introduced in Fiscal 2000, we are now rolling out a total of ten models ranging from 50 to 1000 tonnes.

- The introduction of the Index™ platform has significantly raised the standard of performance in PET preform molding. This patented technology puts Husky in a league of its own as competitors continue to offer traditional machinery. To date, customers have ordered over 140 Index systems – many of them repeat purchases. We are now well positioned to increase market share, in particular by entering the low-output segment of the market.



- The NPE trade show in Chicago, a major industry event that was attended by over 90 000 visitors from around the world, was a watershed event for Husky (see cover photo). Our display of general purpose machines with integrated robots, the Index system, and hot runners – all running flawlessly with record up-time – powerfully conveyed our transformation into a broadly based supplier of injection molding equipment and services. Our booth was bustling with excitement throughout the show and our people worked long hours to keep up with the interest.
- Operational efficiency continued to improve. Additional staffing requirements due to insourcing of manufacturing operations were largely absorbed through increased productivity in other areas. Consolidating global large tonnage machine manufacturing in Luxembourg has eliminated duplication and improved the focus in this business. In addition, we reorganized the business units serving the preform molding market into one Index Systems group. This allows us to take advantage of economies of scale while providing a strict market focus for PET-related activities.

North America IML Containers produce thinwall food containers using Husky's S90 and S160 machines with TE3 robots in Quebec, Canada.

- We continued to build our global Service and Sales organization – the strongest in the industry. In Fiscal 2000, we added Technical Centers in France, Germany, Singapore and a fifth Center in the United States, bringing the total number up to 14. This network of Technical Centers, combined with our Systems Group, offers customers value added services such as systems integration, plant design, and plant optimization. We expect these services to play an even bigger role in the future. This year, we also started a dedicated service for equipment financing and we are now offering long-term service and maintenance contracts.
- We remained true to our values. As one of the highlights, we put into place a comprehensive action plan to reduce greenhouse gas emissions. This plan has been judged the most advanced in Canada. In addition to providing a sustainable basis for our business, we know that these and other initiatives contribute to making Husky an employer of choice for top talent. In 1999, we were recognized as one of Canada's 35 best companies to work for, ranking 15th overall in an independent national survey.

As we move into Fiscal 2001, our priorities are clear. We need to complete the rollout of our product line, gain significant market share based on our new products and services, and further reduce cost. Most importantly, however, we are now impatient to translate the progress we have made into financial

success and to start realizing the return on \$400 million of capital and product development invested over the last three years.

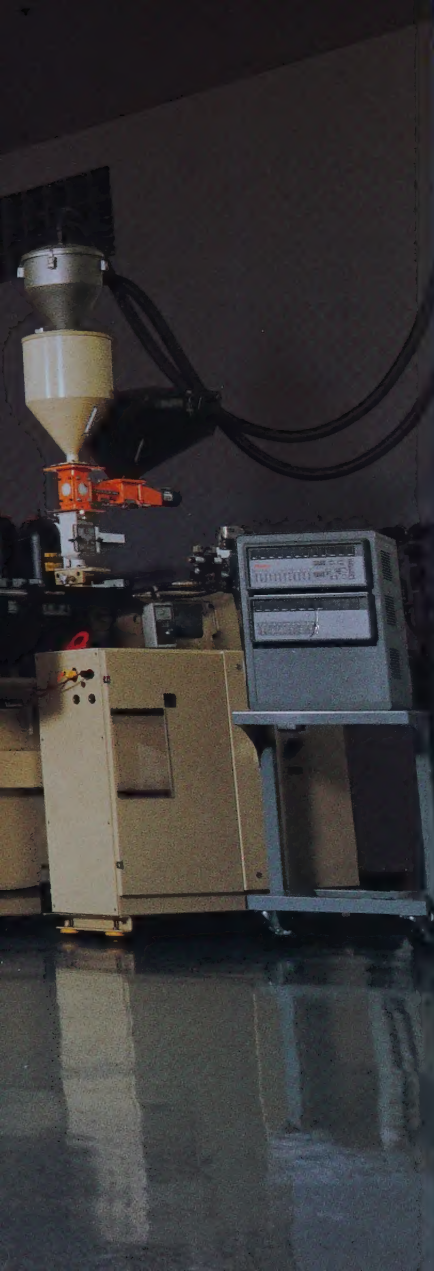
Robert Schad

Robert Schad, President



Large tonnage machine manufacturing expansion on our campus in Dudelange, Luxembourg.





General Purpose Products

Husky has always distinguished itself through product innovation and its ability to maximize customer productivity.

General Purpose Machines

Our new general purpose S Machines have been designed to address the needs of customers in markets beyond our traditional packaging niche. Technical, medical, and packaging customers are benefiting from these innovative machines. In comparison to our current machine lines and our competitors', the S Machine offers:

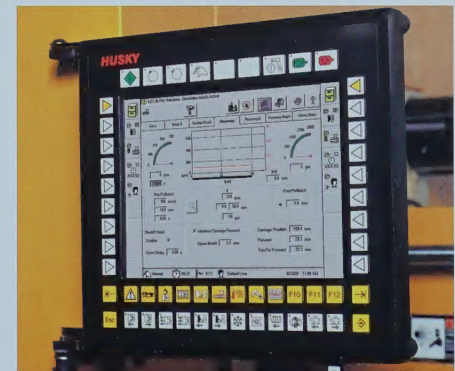
- Lower operating and maintenance costs
- The ability to run larger molds in smaller machines
- Faster cycle times
- A hybrid system combining hydraulic technology with an electric design, which reduces energy consumption

These benefits are made possible by a number of patented technologies or proprietary features, including:

- Reflex™ platens
- Generous tiebar spacing
- An advanced clamping system
- Web-enabled PC-based controls

After undergoing extensive customer field trials and rigorous evaluation, two models – a 90 and 160 tonne – were successfully introduced. Based on their success, the S Machine concept will be extended to serve the small, medium, and large tonnage markets with machines up to 1000 tonnes. New models will be introduced throughout the next year.

Husky's current medium tonnage G Machine has a history of reliability and speed. The new S Machines improve upon the G Machines in a number of areas. Specifically, they further improve customers' productivity and cost less to manufacture. With the rollout of these new general purpose machines, we will completely replace the G Machine product line.



Magenta, a closure molder located in Chicago, Illinois, added S Machines to their clean room facility, augmenting the output of their existing G Machines for a lower capital cost.

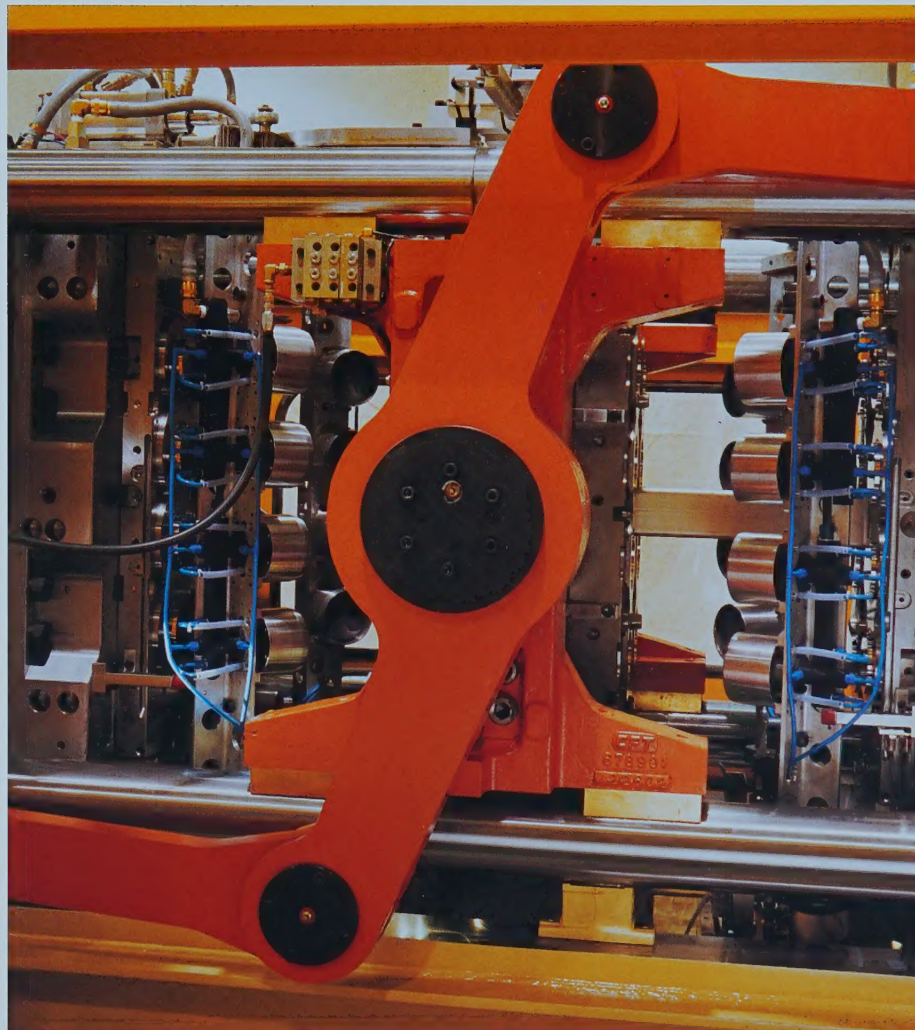
Husky's new PC-Based controls are capable of remote diagnostics.



Husky's large tonnage E Machines address a variety of markets with applications ranging from car bumpers to patio furniture. These machines feature many of the same patented technologies as our S Machines, including Reflex™ platens which improve part quality, extend mold life by reducing wear, and allow parts to be molded using less tonnage than conventional machines. Options include Husky's patented Multi-Mold Carrier which allows two molds to run simultaneously in one machine.

Robots

All our injection molding machines are available with a variety of part-handling robots, featuring controls that are fully integrated with those of the machine. An independent survey conducted by *Plastics Product Review* ranked Husky's new general purpose robots as the industry's "best buy," scoring high points for speed and accuracy.

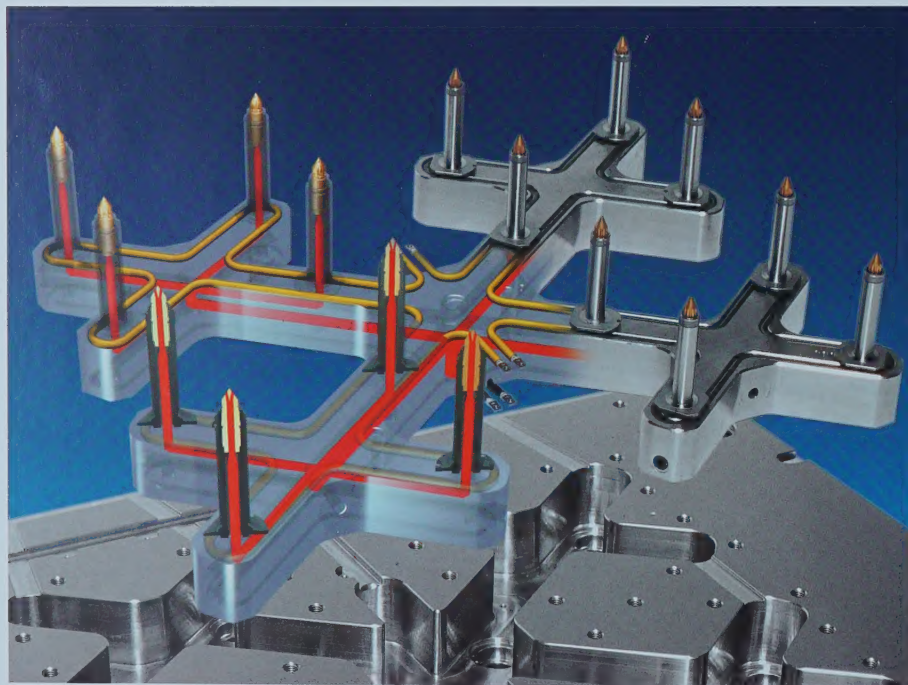


Integrated stack molds virtually double productivity.

Hot Runners

A hot runner system distributes plastic resin evenly to the individual cavities of the mold. This results in increased productivity, improved part quality, and less waste when compared to molds which do not use a hot runner. By offering this critical component, we are able to develop strong relationships with our customers. This year we introduced our new Pronto™ program of pre-engineered hot runners.

With faster delivery, our line of Pronto hot runners set a new standard in the market while allowing our customers to enjoy simplified communication, and lower costs. An expanded internet presence - www.hotrunners.com - has made designing and ordering a hot runner system more convenient. Customers benefit from faster delivery times and around-the-clock access to information.



Hot runners deliver resin to the mold with consistent thermal and mechanical properties.

Thixomolding®

Die-casting, the standard process for the creation of metal parts, is now seeing competition from thixomolding. This emerging technology has a number of advantages over the die-casting process, including the ability to produce finished magnesium parts in a single step, as opposed to die-casting's need for secondary operations. Operating much like plastic injection molding machines, a thixomolding system uses a light metal alloy instead of plastic. It is well suited to creating parts for electronic applications such as camcorders, laptops, and cell phones. Lighter than plastic, thixomolded parts offer the stiffness and strength of metal, greater impact resistance, and electromagnetic shielding. Husky is currently beta testing its Thixosystems™ with customers and development is expected to continue over the coming year.

Complete hot runner systems are available in a variety of gating methods and sizes.



PET Systems

Husky's PET systems provide customers with high quality preforms at the lowest overall cost. Husky is the undisputed leader in supplying PET systems, with a 50% global market share.

Index™ Systems

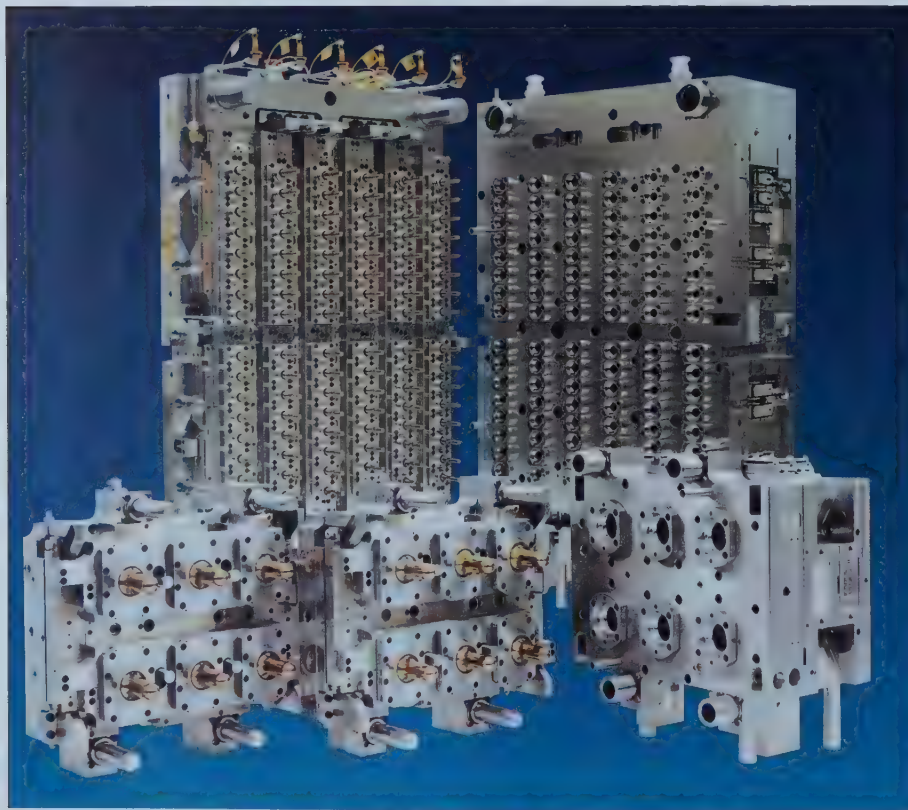
The Index system addresses the majority of preform applications. No other molding approach offers the high output-to-capital cost ratios achieved with Husky's patented system. Faster cycle times are

attained through highly effective cooling outside the mold. The system's compact layout - a shorter clamp and no side-entry robot - gives the Index system an output-to-floor space ratio that is typically 30% higher than its competition.

We are now well positioned to increase market share. The Index system is well suited to the low-output segment of the market - a segment in which Husky has previously not participated. This segment represents 25% of the market. Of the more than 140 orders received to date, approximately 30% have been for low-output Index systems. In addition, the reorganization of business units into one Index group improves our focus on the PET market.

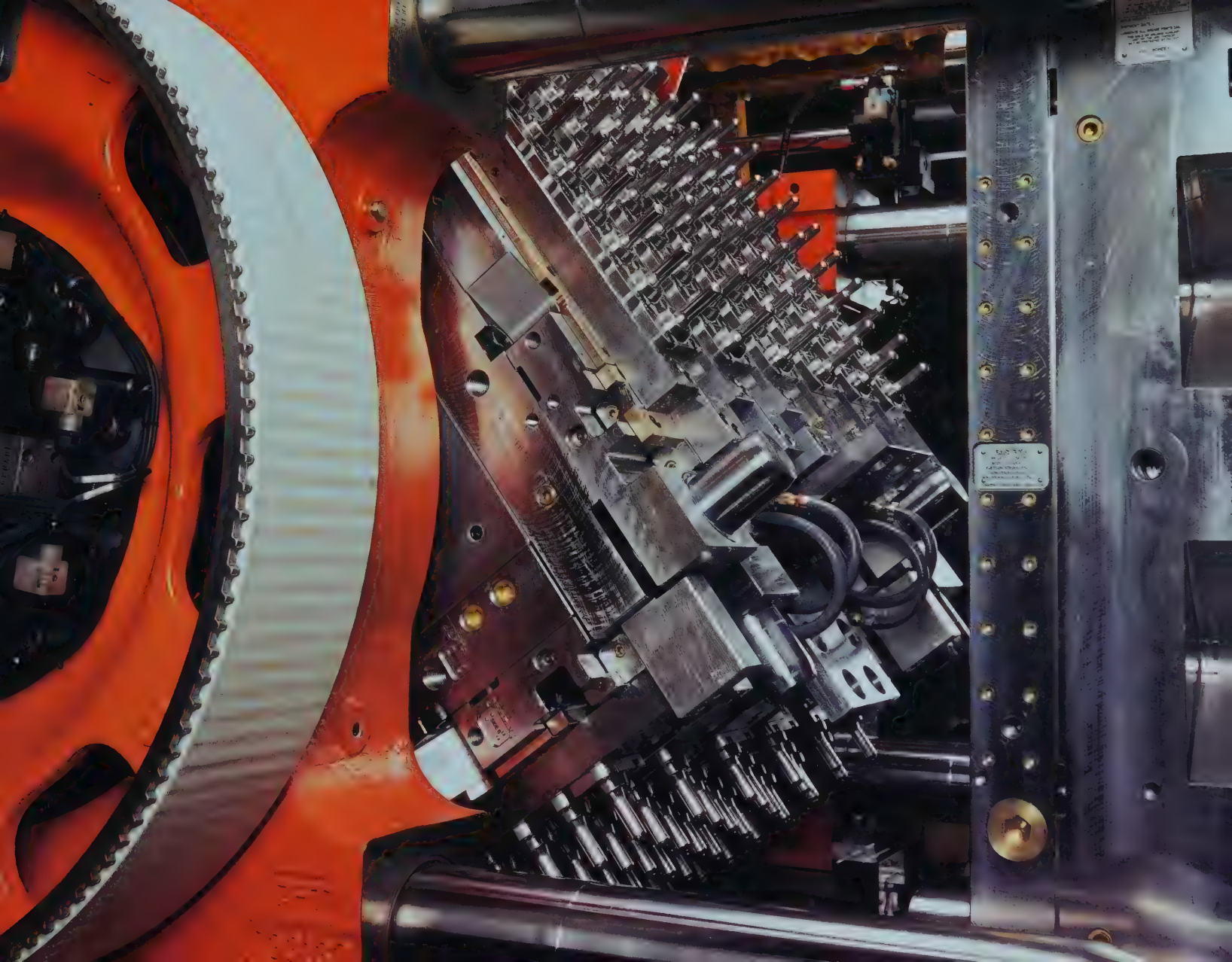
G-PET Systems and Molds

For customers who currently want compatibility between existing and new molds, the G-PET system offers industry leading cycle times, quality preforms, and reliability. It is also ideal for certain applications that require preforms with thin walls, such as mineral water bottles.



Preform molds range from 2 to 96 cavities for both single face and Index™ molds.

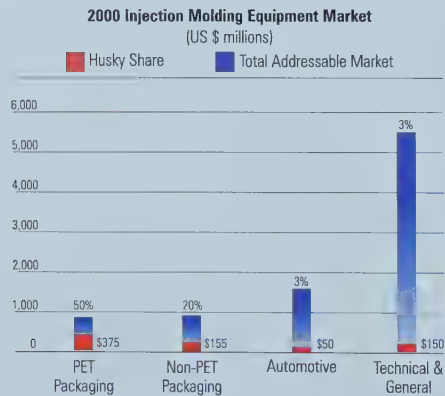
Our new Micropitch™ mold further maximizes customers' productivity by increasing the number of mold stacks in the mold area.



Market Opportunities

The injection molding machinery market is continuing to show solid growth around the world. In addition to the traditional packaging applications such as bottles and containers, plastics are being used for lightweighting applications in the automotive industry and are helping drive innovation in the consumer electronics sector.

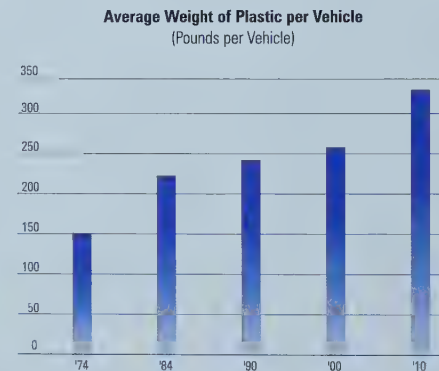
In addition to the plastic industry's growth, Husky's newly expanded product line addresses a greater portion of the overall market. As an example, the new general purpose S Machines better address the automotive, technical, and general markets where we have had minimal share. With these new products, we will be better positioned to increase our overall market share beyond the current 9%.



Source: Husky Estimates

In the PET sector, growth will be driven by the ongoing conversion from glass to plastic. Fast-growing applications include mineral water, fruit juices and food containers. In addition, plastic bottles are continuing to make inroads in the beer market. In the overall packaging sector, Husky will build on its large market share in the PET preform and thinwall packaging segments by continuing to provide state-of-the-art, high-speed systems.

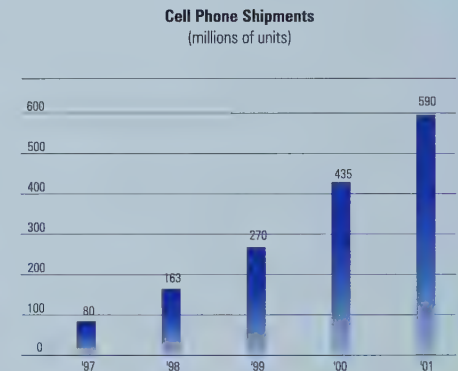
In the automotive industry, the trends towards simpler manufacturing processes, and for reduced weight in vehicles to increase fuel economy, continue. This is driving the conversion to plastic from metal and the combination of multiple parts into larger, single components. By 2010, the average



Source: American Metal Market

weight of plastic in a vehicle is predicted to grow from 260 to over 320 pounds. The new Detroit Technical Center gives Husky the unique capability to benefit from these industry trends and to support automotive customers. The E8000 machine, located in Detroit, is the world's largest two-platen machine and is prototyping injection molding applications with significant growth potential.

The technical market offers significant opportunities in consumer electronics such as cell phones, smart cards, and computer housings. Since 1997, cell phone shipments have grown at a compounded growth rate of 65% per year. Our new S Machines are well suited to molding these complex parts.



Source: Micron Infocom Technology; Dataquest

Husky's equipment and services produce a wide variety of end products.



Manufacturing

We have completed a three year investment program to become a full-fledged manufacturing company and to improve cost-efficiency. Major investments in manufacturing include a components facility in Bolton, a mold and hot runner plant in Luxembourg,

and a hot runner facility in Vermont. Due to lower than expected volumes and longer start-up times, we are just now beginning to see a return on our investment. However, recent performance in these facilities has improved, and we expect this

trend will continue. These investments, combined with improved purchasing, will reduce costs, and the increased manufacturing capacity will support growth in sales volumes.

Manufacturing operations are integrated on campuses along with service, sales, and support services. This campus philosophy encourages teamwork, the exchange of ideas, and sharing of resources. The Bolton, Ontario campus covers 70 acres with Index systems, S and G Machines, robots and components facilities, and the Advanced Manufacturing Center. The Dudelage, Luxembourg campus covers 29 acres with E Machines, mold and hot runner facilities, and the Luxembourg Technical Center. The Milton, Vermont property, totaling 658 acres, was purchased in 1997. In July 1998, a hot runner manufacturing facility was completed in Vermont.

This past year, key initiatives included the consolidation of global large tonnage machine operations in Luxembourg and the integration of the Index Systems' business units. As we move forward, we need to further utilize the investments we have made in manufacturing, streamline operations, and implement simple and efficient business processes.



This Portal Mill reduces manufacturing times on machine platens by 50%. Our manufacturing team provides continuous feedback to our engineers for design improvements and cost reductions.

Automated welding robots reduced manual welding by 60% and lowered both lead times and manufacturing costs.



Service and Sales Network

In keeping with our commitment to maximize customer productivity, Husky has more than 40 offices supporting customers in over 100 countries. This industry leading network of people and support services is unique in our industry, as all are full-time Husky employees. Husky Area Managers have the training and experience to improve the operations of customers' equipment, and to consult on matters such as efficient factory layouts and operator training.

Technical Centers

Technical Centers are the backbone of our Service and Sales network. Husky's 14 Technical Centers worldwide act as "full-service dealerships" which provide customers local access to a variety of services, including:

- Equipment Demonstrations
- Mold and Resin Tests
- Training
- Systems Integration

Global Parts Support

Distribution centers in Buffalo, New York and Dudelange, Luxembourg, as well as key Technical Centers around the world, ensure parts are ready for immediate shipping, normally within 24 hours. The strength of our Service and Sales network was

highlighted in the most recent "Mastio & Company Injection Molding Image Report," an independent survey of North American plastics processors. Husky ranked number one in overall customer satisfaction, based on 26 critical performance characteristics including service, spare parts, technology, innovation, and quality.

Value Added Services

Based on Husky's more than four decades of industry experience, customers benefit from several value added services:

- *Systems Integration:* Working with mold-makers and suppliers of complementary equipment,

Husky's Systems Group designs complete production work cells.

- *Technical Training:* Customers can be trained on Husky's complete product line on our campuses, at our Technical Centers, or on their own premises.
- *Operational Audits:* Conducted by our engineers, audits help customers maximize the productivity of existing facilities.
- *Factory Planning:* In addition to project management, studies are carried out for plant expansions, conversions, or greenfield plants to optimize operational efficiency.



System testing in our Chicago Technical Center.

- *Bottle Development Center and Quality Assurance Lab:* Our labs offer a full range of product design, prototyping, production mold manufacturing, and quality assurance testing to help customers launch new bottle programs.
- *PET Process Optimization:* A team of specialists who can work with customers to improve the performance of their systems.
- *Equipment Financing:* A complete range of financing solutions is offered.
- *Extended Service Contracts:* Customers can reduce their operating costs by partnering with Husky for machine maintenance.



One of our newest Technical Centers in Lyon, France.



Husky was instrumental in the design, project management, construction and commissioning of a remote preform injection molding and water bottling facility in Fiji.



Financial Highlights

Financial Highlights for the Years Ended July 31, 2000 and 1999

Operating Results (US \$ thousands)

| | 2000 | 1999 |
|------------------------------------|---------|---------|
| Sales | 711,401 | 708,207 |
| Gross profit | 146,451 | 152,143 |
| Net income | 9,097 | 15,171 |
| Operating cash flow ⁽ⁱ⁾ | 60,770 | 54,418 |

Per Share Data (US \$)

| | | |
|--|------|------|
| Basic earnings per share | 0.08 | 0.14 |
| Basic operating cash flow ⁽ⁱ⁾ per share | 0.52 | 0.49 |

Financial Position (US \$ thousands)

| | | |
|----------------------------|---------|---------|
| Working capital | 88,313 | 47,342 |
| Total debt ⁽ⁱⁱ⁾ | 164,594 | 139,154 |
| Shareholders' equity | 327,156 | 316,302 |
| Total assets | 676,994 | 664,834 |

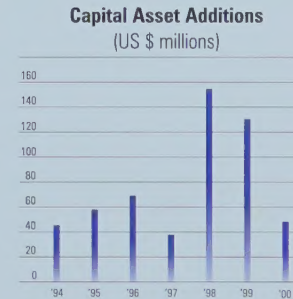
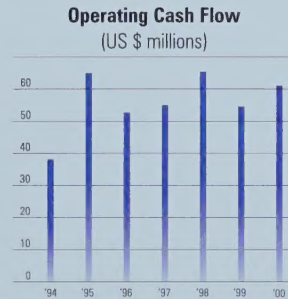
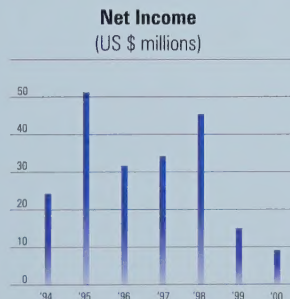
Selected Financial Information (US \$ thousands)

| | | |
|-----------------------------|--------|---------|
| Net income margin | 1.3% | 2.1% |
| EBITDA ⁽ⁱⁱⁱ⁾ | 71,462 | 70,792 |
| Capital asset additions | 48,036 | 130,484 |
| Total debt to total capital | 33% | 31% |

(i) Net income plus items not affecting cash

(ii) Total interest-bearing debt

(iii) Earnings before interest, taxes, depreciation and amortization





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Covered by US Patents, Equivalent foreign patents and others pending.

6,077,064, 6,024,558, 6,085,869, 5,922,372, 5,928,685, 5,593,711, 5,776,402, 5,624,695,
5,645,875, 5,868,989, 5,828,684, 6,820,723, 5,753,152, 5,853,773, 5,728,409, 5,830,404,
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Over 90 000 visitors attended the National Plastics Exposition (NPE)
trade show in June 2000.

